Supreme Court, U.S.
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No.

IN THE
Supreme Court of the United States
OCTOBER TERM, 1994

KEN LUKER,
Petitioner,

v.

THE AKRO CORPORATION,
Respondent.

Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

I. Whether the Federal Circuit exceeds its Congressional authorization and in so doing conflicts with precedent established by the U.S. Supreme Court and regional circuits in determining where personal jurisdiction lies over a non-resident patentee in a declaratory judgment action alleging patent invalidity, regardless of the traditional due process analysis established by the regional circuit because the subject matter of the complaint is so "intimately related to substantive patent law," that the Federal Circuit needs to develop its "own law" on personal jurisdiction focused on the rights asserted by the plaintiff? *Akro Corp. v. Luker*, 33 USPQ2d 1505 (Fed. Cir. 1995).

II. Whether the Federal Circuit erred in deciding that henceforth there is no need to conduct an analysis to determine whether the requirements of the Ohio long-arm statute have been satisfied despite the U.S. Supreme Court's directive in *Omni Capital Int. v. Rudolph Wolff*, 484 U.S. 97 (1987) and earlier Federal Circuit decisions including *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1583 n.20 (1990), *cert. denied*, 499 U.S. 922 (1991)?

III. Whether the exercise of personal jurisdiction over a nonresident patentee, whose patent's validity is being challenged, can be predicated upon the patentee's notification to an alleged infringer mailed by the patentee to a distant forum will have an undesirable chilling effect on the wise policy which encourages an attempt at non-litigious dispute resolution before filing suit?

LIST OF ALL PARTIES TO THE PROCEEDINGS

The parties to the proceeding in the Federal Circuit are petitioner Ken Luker, defendant-appellee below, and The Akro Corporation, plaintiff-appellant below and respondent to this petition.

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PETITION FOR WRIT OF CERTIORARI

Petitioner, Ken Luker ("Luker"), requests that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Federal Circuit entered in this action on January 20, 1955, which reversed a final judgment of the United States District Court for the Northern District of Ohio.

OPINIONS BELOW

The judgment of the court of appeals is reported at *Akro Corp. v. Luker*, 33 USPQ2d 1505 (Fed. Cir. 1995) and reproduced in the Appendix ("App.") at 1a-18a. The opinion of the district court is not reported, but is included in the Appendix at 19a-24a.

JURISDICTION

The judgment of the Court of Appeals for the Federal Circuit was entered on January 20, 1995. The jurisdiction of the U.S. Supreme Court rests upon 28 U.S.C. 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

United States Constitution, Amendment V

Ohio Rev. Code Ann. 2307.382(A)(1)

STATEMENT OF THE CASE

Although styled as an action for declaratory judgment when appealed by the alleged infringer to the Court of Appeals for the Federal Circuit, this case is really a test of the limits of personal jurisdiction which the district court should exercise under the Ohio long-arm statute and the due process clause of the Fifth Amendment rather than a case addressing any substantive patent issue.

Petitioner Luker is an individual residing in Orange, California and has a regular place of business there. Luker is the named inventor of the '602 patent entitled *Floor Mat With Band Of Higher Density Tufting* issued by the United States Patent and Trademark Office on June 29, 1988. Respondent Akro is a corporation organized under the laws of Ohio which manufactures floor mat carpets for the automobile industry.

When he became aware that several products produced by Akro apparently infringed his patent on or about October 4, 1990, Luker caused his counsel to make inquiry concerning Akro's infringement of the '602 patent by sending a letter to Ohio. The letter intimated that Luker might invoke available remedies "should there be a patent infringement." Respondent Akro's patent counsel, located in North Carolina, responded to the above letter. Negotiations to resolve the parties' divergent positions ensued with Luker's counsel in California directing several subsequent correspondence to Akro's counsel in North Carolina. No further correspondence was sent to Ohio.

Luker entered into a license agreement with Pretty Products, Inc., an Ohio corporation, in 1993. However, the terms of this license were not before the Federal Circuit. What was properly before the Federal Circuit is the fact that Luker has never visited Ohio in any capacity and is a lifelong resident of the state of California. Luker has never utilized Pretty Products, or any other Ohio person or entity as an agent, employee or personal representative in the state of Ohio.

In lieu of an answer to the complaint for declaratory judgment filed by Akro, Luker filed a motion to dismiss asserting lack of personal jurisdiction under Federal Rule of Civil Procedure 12(b)(2).

The Honorable Sam H. Bell of the U.S. District Court for the Northern District of Ohio dismissed respondent Akro's complaint for lack of personal jurisdiction upon finding that the patent declaratory judgment action did not arise from Luker's activities in Ohio:

> To the contrary, the instant cause appears to be substantially independent of the Pretty Products agreement. First, the letter threatening a patent infringement action against plaintiff was sent seventeen months before the Pretty Products license. Second, a patent infringement action between plaintiff and defendant would lie regardless of whether plaintiff granted an Ohio manufacturer a license. The only question involved in the instant litigation is whether plaintiff is infringing on defendant's patent.
>
> This suit necessarily arises from and is related to defendant's application for and possession of, the floor mat patent. It does not arise from and is not related to any license granted by defendant to a manufacturer in Ohio or anywhere else. Specific jurisdiction over the instant patent infringement cause can not rest on defendant's license agreement. (App. 22a, 23a.)

In so doing, the trial court properly relied upon the Sixth Circuit three-part test for ascertaining the existence of personal jurisdiction.[1]

The Court of Appeals for the Federal Circuit reversed, finding personal jurisdiction over Luker by arbitrarily selecting 'precedent' from various regional circuits, including an Eighth Circuit case subsequently rejected by the Eighth Circuit [because it did not address the nexus between the cause of action and defendant's contacts with the forum], to extend its recent decision in *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1564, 30 USPQ2d 1001, 1006 (Fed. Cir.), *cert. dismissed*, 115 S. Ct. 18 (1994) from alleged infringers in patent infringement actions to patentees such as Luker in declaratory judgment actions.

> "The jurisdictional issue presented by an out-of-state patentee is no less intimately involved with the substance of the patent laws than that of an out-of-state accused infringer. Consequently, the instant case, like Beverly Hills Fan, presents a question of Federal Circuit law." *Akro v. Luker*, 33 USPQ 1505 (Fed. Cir. 1995) (App. 4a) (hereafter referred to as "*Akro*").

This stretch to mandate an exclusive choice of law in the Federal Circuit was made to "promote uniformity in patent law" without relying upon either the "stream of commerce" theory necessary in *Beverly Hills Fan Co.*, *supra*, or any issue of substantive patent law.

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[1] Judge Bell applied the following analysis:

"First, the defendant must purposefully avail himself of the privilege of acting in the forum state or causing a consequence in the forum state. Second, the cause of action must arise from the defendant's activities there. Finally, the acts of the defendant or consequences caused by the defendant must have a substantial enough connection with the forum state to make the exercise of jurisdiction over the defendant reasonable." *quoting Southern Machine Co. v. Mohasco Industries, Inc.*, 401 F.2d 374, 381 (6th Cir. 1968). (App. 20a)

REASONS FOR GRANTING THE PETITION

The *Akro* case presents important issues regarding the statutory jurisdiction of the Federal Circuit and its resulting conflict with the precedent of the U.S. Supreme Court and the regional circuits in creating a "uniform body of patent law" by establishing new standards for the exercise of personal jurisdiction in the district courts.

First, may the Federal Circuit, created by Congress to "reduce the widespread lack of uniformity and uncertainty of legal doctrine that exists in the administration of patent law", disregard the law of the particular regional circuit court where appeals from the district court would normally lie and impose its own "precedent" and choice of law in analyzing personal jurisdiction in a patent declaratory judgment action.

Second, may the Federal Circuit in finding that personal jurisdiction should be exercised in a district court disregard the state long-arm statute upon which service of process for personal jurisdiction is normally predicated in that district. After initially indicating that some analysis under the state long-arm statute is required in *Beverly Hills, supra*, in accordance with precedent of the U.S. Supreme Court, the Federal Circuit fails to apply the Ohio long-arm statute in *Akro*.

Third, may the Federal Circuit predicate personal jurisdiction upon notice to infringers thereby creating a chilling effect upon the desirable practice of negotiating settlement, rather than litigating patent disputes.

The majority below has decided each of these important questions without giving any deference to U.S. Supreme Court decisions, its own precedent and the long-established precedent of the various circuits. In so doing, the Federal Circuit has also placed itself in direct conflict with leading decisions of the Eighth and Tenth Circuits—going so far as to label the Eighth Circuit's critique of its own earlier case, *B & J Manufacturing v. Solar Indus.*, 483 F.2d 594 (8th Cir. 1973), *cert. denied*,

415 U.S. 918 (1974), as "simply incorrect". Such intrusion upon the procedural question of personal jurisdiction, where analysis may differ from state to state in a regional circuit based upon the applicable state long-arm statute, let alone amongst the regional circuits, is unwarranted and will create rather than diminish non-uniformity.

I. THE FEDERAL CIRCUIT EXCEEDED ITS CONGRESSIONAL MANDATE AND IN SO DOING CONFLICTS WITH PRECEDENT ESTABLISHED BY THE U.S. SUPREME COURT AND THE REGIONAL CIRCUITS IN DETERMINING WHERE PERSONAL JURISDICTION EXISTS OVER A NON-RESIDENT PATENTEE REGARDLESS OF THE TRADITIONAL DUE PROCESS ANALYSIS ESTABLISHED BY THE REGIONAL CIRCUIT BECAUSE THE SUBJECT MATTER OF THE COMPLAINT IS SO "INTIMATELY RELATED TO SUBSTANTIVE PATENT LAW"

A. The opinion below exceeds the Congressional mandate which created the Federal Circuit.

As a creation of its enabling act (Federal Courts Improvement Act of 1982), the Federal Circuit is a court of exclusive jurisdiction charged with reviewing district court decisions including those arising under 28 U.S.C. 1338. S. Rep. 97-275, 97th Cong., 1st Sess. 5. In establishing the Federal Circuit, Congress hoped to create uniformity in substantive patent law by resolving the conflicts between the regional circuits. *Panduit Corp. v. All States Plastic Manufacturing Co., Inc.*, 744 F.2d 1564, 1574 (Fed. Cir. 1984) cited in support in *Beverly Hills Fan Co., supra.*

However, Congress did not vest exclusive choice of law in the Federal Circuit for non-patent procedural matters such as personal jurisdiction. As stated by the U.S. Supreme Court in *Sheldon v. Sill*, 49 U.S. 441, 449 (1850), "Courts created by statute can have no jurisdiction but such as the statute confers." Herein, the power to review

cases brought under Section 1338 does not vest choice of law always in Federal Circuit precedent. In developing its own body of personal jurisdiction law, the Federal Circuit has exceeded its statutory mandate. *Firestone Tire & Rubber Co. v. Risjord*, 449 U.S. 368 (1981).

A case from the U.S. Supreme Court cited by the Federal Circuit in its *Akro* decision cautions that choice of law is a procedural rather than a substantive issue. *See Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770 (1984) (cited at p. 12 of *Akro*):

> "The issue is personal jurisdiction, not choice of law." *citing Hanson v. Denckla*, 357 U.S. 235, 254 (1958). The question of the applicability of New Hampshire's statute of limitations to claims for out-of-state damages presents itself in the course of litigation only after jurisdiction over respondent is established, and *we do not think that such choice of law concerns should complicate or distort the jurisdictional inquiry. Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770 (1984) (emphasis added).

Exploiting concern over the need for uniformity in substantive patent law, the Federal Circuit has ignored the U.S. Supreme Court's decision in *Keeton, supra*, even while purporting to adopt its reasoning on other grounds.

The U.S. Supreme Court has previously granted certiorari in cases decided by the Federal Circuit where important statutory issues such as these were raised. *Cornelius v. Nutt*, 472 U.S. 648, 657 (1985). Congress in creating the Federal Circuit did not intend that review by the U.S. Supreme Court was precluded where the Federal Circuit had exceeded its Congressional mandate. H.R. Rep. No. 312, 97th Cong., 1st Sess. 18-19 (1981). Thus it seems that a most important statutory issue is presented when the Federal Circuit arrogates to itself the choice of law over all personal jurisdiction matters thereby disregarding and causing conflict with the law of each of the regional circuits.

The Federal Circuit's decision removing choice of law from the regional circuits for personal jurisdiction analysis is also in conflict with its own precedent. *See Panduit Corp. v. All States Plastic Manufacturing Co., Inc.*, 744 F.2d 1564, 1574 (Fed. Cir. 1984). Therein, the Federal Circuit correctly concluded that procedural issues such as attorney disqualification should be reviewed by the law of the particuplar regional circuit court where appeals from the district court would normally lie to avoid the confusion caused by two sets of requirements.[2] The Federal Circuit in *Panduit* also urged caution where a particular regional circuit had clearly spoken on an issue before the Federal Circuit. To resolve these issues, *Panduit* concludes that "the Federal Circuit shall review procedural matters, that are not unique to patent issues, under the law of the particular regional circuit court where appeals from the district court would normally lie." To define its standard "unique to patent issues", the Federal Circuit contrasted the patent infringement defense of nonexperimental use as a substantive patent issue with the procedural issue of attorney disqualification. *Panduit*, *supra*.

There can be no doubt that personal jurisdiction under the due process clause falls with attorney disqualification rather than the defense of nonexperimental use. Personal jurisdiction represents a restriction on judicial power not as a matter of sovereignty, but as a matter of individual liberty. *Insurance Corp. of Ireland v. Compagnie des Bauxites de Guinee*, 456 U.S. 694, 702 (1982). Analysis of this liberty interest should not be complicated by

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[2] The Federal Circuit in *Panduit* made the following rationale:

> For instance, practitioners and district judges in the Seventh Circuit should not be saddled with two different sets of requirements regarding attorney disqualification, one for cases appealed to the Seventh Circuit and one for cases appealed to this court. [note omitted] The possibility of different requirements should be minimized especially where a dispute is totally unrelated to the patent issues and the resolution of that dispute does not impinge on the goal of patent law uniformity. *Id.*

choice of law dictated by the allegations of the plaintiff's complaint. *See Keeton v. Hustler Magazine, supra.*

B. The Federal Circuit decision in *Akro* directly conflicts with U.S. Supreme Court decisions and those of the Eighth and Tenth Circuits.

The Federal Circuits new law of personal jurisdiction conflicts with the personal jurisdiction precedent established by the U.S. Supreme Court and at least two of the regional circuits. Since the conflict will continue if the Federal Circuit is free to further expand the scope of its new law, review by the U.S. Supreme Court is requested.

The U.S. Supreme Court has repeatedly indicated that it is the defendants conduct that determines the limits on personal jurisdiction under the due process clause. *International Shoe Co. v. Washington*, 326 U.S. 310, 316 (1949); *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 298 (1980); *Shaffer v. Heitner*, 433 U.S. 186 (1977). Nevertheless, the Federal Circuit has now created its own law regarding personal jurisdiction directly in conflict with the U.S. Supreme Court's precedent where the issue turns not upon the defendant's contacts with the forum but upon the cause of action asserted by the plaintiff.

The Federal Circuit set forth little rationale for concluding that due process and personal jurisdiction is "intimately related" to substantive patent law in addressing a patent infringement action in *Beverly Hills Fan Co., supra.* ("Although in one sense the due process issue in this case is procedural, it is a critical determinant of whether and in what forum a patentee can seek redress for infringement of its rights.") It is readily apparent that personal jurisdiction is a critical determinant of whether and in what forum *any* plaintiff can seek redress for a wrong, not just a patentee. After identifying an apparent split in the regional circuits as well as the Fourth Circuit under the "stream of commerce" theory

of personal jurisdiction purportedly created by the U.S. Supreme Court's four-to-four split in *Asahi Metal Industry Co. v. Supreme Court of California*, 480 U.S. 102 (1987), the Federal Circuit concluded that its creation of a "uniform body of Federal Circuit law in this area would clearly promote judicial efficiency, would be consistent with our mandate, and would not create undo conflict and confusion at the district court level." *Beverly Hills Fan Co., supra.*

In the *Akro* case, the Federal Circuit has expanded its "uniform body of Federal Circuit law" to include personal jurisdiction over declaratory judgment actions. This unwarranted expansion was made without relying upon a split in the regional circuits, which the Federal Circuit seized upon in *Beverly Hills, supra*, when electing to adopt the "stream of commerce" theory. The *Akro* decision is also in conflict with the Federal Circuit's own precedent which states "the personal jurisdiction question is no different for a patent case than any other type of cases. . . ." *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1583 n.20 (1990), *cert. denied*, 499 U.S. 922 (1991). In the end, the Federal Circuit in *Akro* concluded without analysis that personal jurisdiction over an out-of-state patentee such as Luker "is no less intimately involved with the substance of the patent laws" than that of an out-of-state infringer in *Beverly Hills Fan, supra.* (App. 4a.)

The regional circuit law is also directly in conflict with the Federal Circuit's recent decisions. Courts considering this issue, including the Eighth and Tenth Circuits and the trial court below, conclude that a declaratory judgment action for patent invalidity is distinct from contractual obligations under a license agreement pertaining to the challenged patent. *See Hydraulics Unlimited Mfg. C. v. B/J Mfg. Co., Inc.*, 171 USPQ 741 (10th Cir. 1971). This conflict is no where more evident than in the text of the Luker opinion where the Federal Circuit not only distinguishes, but disregards the Eighth

Circuit's critique of its own earlier decision in *B & J Manufacturing, supra.*

> As Luker indicates, the Eighth Circuit has since commented on *B & J Manufacturing in Land-O-Nod Co. v. Bassett Furniture Indus.*, 708 F.2d 1338 (8th Cir. 1983). In *Land-O-Nod*, the court expressed the view that the court in *B & J Manufacturing* "did not specifically discuss in its due process analysis the relationship of the cause of action to the forum." *Id.*, at 1342. As the emphasized portion of the above quotation from *B & J Manufacturing* makes clear, however, the *Land-O-Nod* court's observation in this regard is simply incorrect. Thus, Luker's reliance on the ersatz critique of *B & J Manufacturing* presented in *Land-O-Nod* to the contrary notwithstanding, we find strong support for Akro's position in *B & J Manufacturing*. (App. 14a.)

The Tenth Circuit concluded in *Hydraulics Unlimited* that a license agreement between a resident plaintiff licensee and a non-resident defendant patentee licensor did not confer personal jurisdiction in a patent declaratory judgment action since it was negotiated by mail and not limited to the forum state. If the Tenth Circuit is unwilling to permit a licensee to establish personal jurisditcion over the patentee licensor, a similar result should issue here with respect to a third party such as respondent Akro.

There is nothing in *Akro* and prior Federal Circuit decisions that establishes that the individual liberty protected by the due process clause for patentee defendants should be different than the individual liberty protected by due process afforded defendants in other related intellectual property matters such as trademark or dress, copyright or unfair competition cases. *See Insurance Corp of Ireland v. Compagnie des Bauxites de Guinee*, 456 U.S. 694, 702 (1982). The Federal Circuit's decision in the *Akro* case produces the following dichotomy: proper exercise of personal jurisdiction in actions for trademark, trade dress or copyright infringement will be

reviewed under the law of the regional circuit in which the action was brought. However, according to the Federal Circuit in *Akro*, by merely adding a patent infringement count one can change the personal jurisdiction determination which will be measured by the new expansive standard adopted by the Federal Circuit, that ignores traditional notions of personal jurisdiction in favor of uniformity in substantive patent law.[3] District judges will then determine personal jurisdiction over defendants with identical contacts in different ways solely depending upon the allegations of the complaint.

This dichotomy creates the opportunity for a litigator with questionable personal jurisdiction over an out-of-state defendant (whether patentee or potential infringer) to now establish personal jurisdiction with a baseless patent infringement cause of action. The nonresident defendant confronted with this situation will always be subject to the Federal Circuit's new personal jurisdiction standards, rather than the precedent of the regional circuit, since the personal jurisdiction issue is resolved or waived based solely upon the complaint long before the merits of the baseless patent infringement action are addressed. Even if the patent claims are subsequently determined to be without merit, the defendant is then unable to challenge personal jurisdiction over the remaining non-patent claims. Given the Federal Circuit precedent, district courts may unwittingly disregard the regional circuit law directed to personal jurisdiction over a trademark action simply because the plaintiff has asserted a frivolous patent claim.

C. *Akro* and other Federal Circuit precedent regarding personal jurisdiction will create conflict, confusion and disparate decisions.

The Federal Circuit in expanding its limited jurisdiction to include choice of law over personal jurisdiction

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[3] This situation is quite common since a trade dress action is frequently accompanied by a declaratory judgment action to invalidate a design patent.

will only create conflict with the regional circuits and the U.S. Supreme Court, confusion, and as demonstrated above, unwarranted disparate results. Although arguably necessary for actions "intimately related to substantive patent law", the Federal Circuit's decision to establish a new body of law governing personal jurisdiction has created the very undue conflict and confusion warned of in *Panduit*. This confusion and conflict is even more pronounced, where as here, the action is one for declaratory judgment surely even a more tenuous relationship than the defendant patentee's forum contacts.

Since the U.S. Supreme Court and the regional circuits have already established a uniform approach to personal jurisdiction in these circumstances shaped by decades of jurisprudence, attorneys and federal judges will be unnecessarily burdened with two different sets of requirements, one for matters appealed to the regional circuits and one for patent cases appealed to the Federal Circuit. Clients will also suffer the uncertainty generated by the inherent conflict between the decisions of the regional circuit and the Federal Circuit. This dichotomy in procedural matters can only result in disparate results at trial as the district courts are forced to decide factually identical cases in different ways. Such disparity certainly does not further the Federal Circuits mandate of reducing confusion and conflict.

II. THE FEDERAL CIRCUIT ERRED IN FAILING TO CONDUCT AN ANALYSIS TO DETERMINE WHETHER THE REQUIREMENTS OF THE OHIO LONG-ARM STATUTE HAD BEEN SATISFIED DESPITE THE U.S. SUPREME COURT'S DIRECTIVE IN OMNI CAPITAL INT. AND EARLIER FEDERAL CIRCUIT PRECEDENT

The Federal Circuit inappropriately disregarded the Ohio long-arm statute thereby conflicting with decisions of the U.S. Supreme Court and its own earlier precedent. The Federal Circuit has first indicated that personal

jurisdiction is not unique to patent law. *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 1583 n. 20 (1990), *cert. denied*, 499 U.S. 922 (1991). Next, the Federal Circuit expressly applied the Virginia long-arm statute, which like the Ohio long-arm statute extends to the limits of due process, in *Beverly Hills Fan Co.*, n. 23.[4] Despite its decisions in *VE Holding Corp.* and *Beverly Hills Fan Co.*, the Federal Circuit in *Akro* concludes that "the sole inquiry thus becomes whether the trial court can exercise personal jurisdiction over Luker in this case consistent with the due process."

In disregarding the Ohio long-arm statute, the Federal Circuit directly conflicts with the U.S. Supreme Court decision in *Omni Capital Int'l v. Rudolf Wolff & Co.*, 484 U.S. 97 (1987), which the Federal Circuit cited in *Akro* for other purposes. In *Omni Capial Int'l, supra*, the U.S. Supreme Court in analyzing personal jurisdiction under the Commodity Exchange Act ("CEA"), which like Section 1338 has no specific service provision, required compliance with the state [Louisiana] long-arm statute.

> Omni's argument fails, however, because there are other prerequisites to a federal court's exercise of personal jurisdiction. Before a federal court may exercise personal jurisdiction over a defendant, the procedural requirement of service of summons must

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[4] The Federal Circuit in *Beverly Hills Fan Co.* made the following observations and conclusions regarding its analysis under the Virginia long-arm statute:

> "The Virginia legislature intended Virginia's long-arm statute to extend the jurisdiction of the Virginia courts as far as due process would allow [cite omitted]. Thus, some courts, having completed the due process inquiry, have not considered it necessary to undertake an analysis under the long-arm statute [cite omitted]. On the other hand, the Virginia legislature also intended the particulars of the long-arm statute to be satisfied even though it could be argued that a lesser standard would meet due process. [cite omitted]. Thus, other courts have considered it more prudent to undertake a separate analysis [cite omitted]. We believe the latter is the proper course."

> be satisfied. . . . Thus, before a court may exercise personal jurisdiction over a defendant, there must be more than notice to the defendant and a constitutionally sufficient relationship between the defendant and the forum. . . . That authorization is not found in either the CEA or the Louisiana long-arm statute to which we look under Rule 4(e). *Omni Capitol Int'l, supra.*

In *Akro* the Federal Circuit completely ignores three cases examining state long-arm statutes similar to Ohio's provided by Luker directly addressing the relationship between a patent license agreement and declaratory judgment actions for patent invalidity.[5] ("Three of the cases which Luker cites in the course of his argument expressly declined to reach the due process prong of the personal jurisdiction inquiry, having held that the state long-arm statutes at issue did not reach the defendants. They thus have nothing to teach about the due process questions raised here." (App. 15a.)

Having disregarded both the Ohio long-arm statute and the cases specifically addressing the nexus, if any, between a patent license agreement and a declaratory judgment action for patent invalidity, the Federal Circuit indicated that the U.S. Supreme Court had not addressed the issue but nevertheless relied upon *Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770 (1984), and *Calder v. Jones*, 465 U.S. 783 (1984) ("[P]laintiff need not be the forum resident toward whom any, much less all, of the defendant's relevant activities were purposefully directed.") (App. 12a.) In creating a "uniform" body of patent law, the Federal Circuit relied upon two state libel cases brought against out-of-state publishers who disseminated the libelous materials in the forum state, rather than cases directly on point. There can be no question that the publications which contained the libelous statements are intimately related to a libel cause of action.

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[5] These three cases apply a long-arm statute substantially similar to Ohio's under the same three part standard as *In-Flight Devices v. Van Dusen Air, Inc.*, 466 F.2d 220 (6th Cir. 1972).

The connection with the cause of action is also evident since the alleged libelous publication was directed to the forum.

The more difficult issue, and the one specifically addressed in the three cases disregarded by the Federal Circuit, is whether a contractual obligation under a patent license agreement is sufficiently connected with a declaratory judgment action for patent invalidity. *See Hydraulics Unlimited Mfg., supra* (non-resident patent declaratory judgment defendant who entered into license with resident plaintiff licensee is not subject to personal jurisdiction in licensee forum state).

III. THE FEDERAL CIRCUIT DECISIONS WILL HAVE A CHILLING EFFECT UPON PROVIDING NOTICE OF POTENTIAL PATENT INFRINGEMENT

The result reached by the Federal Circuit will unduly restrict a patentee's initial attempt to provide a potential infringer with notice and an opportunity to settle the matter short of litigation. After provoking a dispute by making an infringing product and receiving notice of infringement, it is appropriate that the infringer can initiate a declaratory judgment action to establish the invalidity or unenforceability of the patent if that is his sincere belief. However, any rule which establishes personal jurisdiction based solely upon the patentee's notification sent to a potential infringer in the forum state is unjust. That injustice is amplified by the necessity that the patentee asserts its compulsory counterclaim for patent infringement in the same action in the forum selected by the infringer.

After the *B & J Manufacturing* decision, the District of Minnesota concluded that basing personal jurisdiction upon an infringement letter would have the following unwarranted implications.

> It is not the rule . . . that a plaintiff cannot demand recourse from a wrongdoer without submitting to the jurisdiction of the wrongdoer's forum. Such a rule

> would leave the victim only three options; he could forego his rights entirely; he could attempt to settle the dispute without litigation, but at the price of submitting to the jurisdiction of a distant forum; or he could sue without warning—the blitzkrieg nature of the attack being necessary to avoid vulnerability to foreign jurisdiction. . . . A rule foreclosing options in this manner would be improper for two reasons. First, it would positively discourage the settlement of disputes, in direct conflict with other rules of law. . . . Second, such a rule would unjustifiably treat the victim as the wrongdoer. *Conwed Corp. v. Norten S.A.*, 404 F.Supp. 497 (D. Minn. 1975).

The unfairness is furthered by Federal Circuit precedent firmly establishing a first to file rule when patent declaratory judgment actions and infringement claims asserted in different forums are copending. The later-filed action will defer to the earlier filed action. *See Genentech, Inc. v. Eli Lilly and Company*, 998 F.2d 931, 937 (Fed. Cir. 1993). By finding personal jurisdiction over Luker, the Federal Circuit has announced that all patent holders may be susceptible to suit in any forum in which they assert rights against a resident infringer.

Finally, the negotiation to a successful conclusion via a license with one alleged infringer within a forum should not subject the patentee to personal jurisdiction on a declaratory judgment action brought by another alleged infringer in that same forum. Such a rule under the Federal Circuit precedent would afford ample opportunity for collusion between potential infringers.

CONCLUSION

We believe that the Federal Circuit has exceeded the special jurisdiction which Congress gave it by deciding in *Akro* that traditional due process restrictions on the exercise of personal jurisdiction in the district courts as established by the regional circuits must give way to the "new"

law of the Federal Circuit in any case where a patent claim is initially pled.

If *Akro* is allowed to stand, by simply drawing an infringer's attention to his patent rights, a patentee will be compelled to defend an attack on the validity of his patent in a foreign state where notice of his patent rights was sent, without having had sufficient minimum contacts to satisfy either the state long-arm statute or traditional notions of due process under the Fifth Amendment.

Under those circumstances, another wise policy designed to resolve disputes without costly court intervention will be discarded at a time when the federal judiciary is experimenting with methods for handling its expanding caseload through alternative dispute resolution.[6] In order to control choice of forum, patentees will file suit first and only thereafter seek a less expensive and time consuming extra-judicial resolution with the accused infringer.

The Federal Circuit jurisprudence in *Akro* does not comport with due process and should be reviewed by the U.S. Supreme Court on writ of certiorari.

Respectfully submitted,

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[6] For example, the trial court below, the United States District Court for the Northern District of Ohio, in accordance with the Civil Justice Reform Act of 1990, was designated a demonstration district for both differentiated case management and alternative dispute resolution.

APPENDICES

APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

94-1229

THE AKRO CORPORATION,
Plaintiff-Appellant,

v.

KEN LUKER,
Defendant-Appellee.

Appeal from the United States District Court
for the Northern District of Ohio

DECIDED: January 20, 1995

Before MICHEL, *Circuit Judge,* BENNETT, *Senior Circuit Judge* and RADER, *Circuit Judge.*

MICHEL, *Circuit Judge.*

Akro Corporation (Akro) appeals from the February 9, 1994 judgment of the U.S. District Court for the Northern District of Ohio, No. 5:93CV2207, dismissing Akro's action for declaratory judgments of noninfringement, invalidity, and unenforceability. The trial court entered judgment pursuant to Federal Rule of Civil Procedure 12(b)(2), dismissing Akro's action for want of personal

jurisdiction over Ken Luker (Luker), the defendant patentee. Because the trial court erred in concluding that its exercising personal jurisdiction over Luker would transgress the boundary Fifth Amendment due process circumscribes for such exercise, we reverse and remand.

BACKGROUND

Akro, the plaintiff accused infringer, is an Ohio corporation with facilities for manufacturing floor mat carpets in both Canton and Holmesville, Ohio. Luker, the defendant patentee, is an individual who resides in and conducts business from Orange County, California. He is the named inventor and owner of U.S. Patent No. 4,871,602 (the '602 patent), directed to a vehicle floor mat having a high density, long wearing band formed integrally with the remainder of the mat. Luker has never been in Ohio, and no one is or has ever been his agent or personal representative in Ohio.

Luker, through his counsel, sent Akro a warning letter, dated October 4, 1990, which contained the following:

> It is my understanding that you are aware of the patent held by Mr. Luker and are intentionally manufacturing and selling floor mats using said patent in full disregard of Mr. Luker's patent rights.
>
> Please be advised that our office is investigating this matter and will seek remedies for our client should there be a patent infringement. Such remedies would include injunctive relief, compensatory damages and attorneys' fees.

Akro referred this letter to its patent counsel, located in North Carolina.

Akro and Luker, through their respective counsel, attempted to negotiate a settlement to their dispute. The negotiations lasted almost three years but eventually

reached an impasse. During the period from February 6, 1991 to October 13, 1993, while the negotiations proceeded, Luker's counsel reiterated the accusations of infringement and the threats of litigation in six separate warning letters to Akro's counsel.

The warning letters also make it clear that Luker had entered into an exclusive license agreement with Pretty Products, an Ohio corporation that manufactures floor mat carpets and is one of Akro's competitors in the marketplace in Ohio. Though the text of the license agreement is not of record in this case, Luker's letters to Akro are, and they contain clear statements as to four of the agreement's features: (1) the agreement became effective on March 17, 1992; (2) Pretty Products is licensed to practice the '602 patent; (3) Luker "has obligations under the [agreement] to defend and pursue any infringement against his patent occurring from the date of the [agreement] and thereafter;" and (4) Pretty Products is empowered to sue on Luker's behalf those parties that infringe the '602 patent.

The last of Luker's warning letters, dated October 13, 1993 and faxed to Akro's counsel that same day, contained the following:

> Mr. Luker believes that he has accepted an extremely low settlement amount in an effort to resolve this matter. We believe that this resolution has been prolonged unnecessarily and must be completed by Friday, October 15, 1993.
>
> If the matter cannot be resolved timely, then Mr. Luker has decided to proceed with an infringement action for both the time period which he solely held the patent rights, as well as for the time period held by his exclusive licensee.

Akro filed its declaratory judgment action against Luker two days later in the U.S. District Court for the Northern District of Ohio.

Luker did not answer the allegations in Akro's complaint. Instead, on January 14, 1994, Luker filed a Rule 12(b)(2) motion to dismiss Akro's suit for lack of personal jurisdiction. He also filed a supporting affidavit. Though it contained neither denials of nor rebuttals to the allegations in Akro's complaint, it did state that Luker had never been in Ohio, and that Pretty Products was not his agent in Ohio or anywhere else.

On February 9, 1994, the trial court, applying the law of the Sixth Circuit and without benefit of a hearing, granted Luker's motion to dismiss Akro's declaratory judgment action. Akro timely filed the instant appeal.

DISCUSSION

I. *Choice of Law & Standard of Review*

We apply the law of the Federal Circuit, rather than that of the regional circuit in which the case arose, when we determnie whether the district court properly declined to exercise personal jurisdiction over an out-of-state accused infringer. *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1564, 30 USPQ2d 1001, 1006 (Fed. Cir.), *cert. dismissed*, 115 S. Ct. 18 (1994). The jurisdictional issue presented by an out-of-state patentee is no less intimately involved with the substance of the patent laws than that of an out-of-state accused infringer. Consequently, the instant case, like *Beverly Hills Fan*, presents a question of Federal Circuit law.

Where, as here, the facts upon which jurisdiction turns are undisputed, the matter presents a pure question of law, reviewable *de novo*. *Id.; North American Philips Corp. v. American Vending Sales, Inc.*, 35 F.3d 1576, 1578, 32 USPQ2d 1203, 1204 (Fed. Cir. 1994). In addition, where the plaintiff's factual allegations "are not directly controverted, [they] are taken as true for purposes of determining jurisdiction . . . ." *Beverly Hills Fan*, 21 F.3d at 1563, 30 USPQ2d at 1005.

II. *Analysis*

A. *Amenability to Service*

Amenability to service and the exercise of personal jurisdiction are linked together in the federal courts. The Supreme Court clarified the relationship between these two principles in *Omni Capital Int'l, Ltd. v. Rudolf Wolff & Co., Ltd.*, 484 U.S. 97 (1987). According to the Court,

> [B]efore a court may exercise personal jurisdiction over a defendant, there must be more than notice to the defendant and a constitutionally sufficient relationship between the defendant and the forum. There also must be a basis for the defendant's amenability to service of summons. Absent consent, this means there must be authorization for service of summons on the defendant.

Id. at 104. More specifically, "under Rule 4(e),[1] a federal court normally looks either to a federal statute or to the long-arm statute of the State in which it sits to determine whether a defendant is amenable to service . . . ." *Id.* at 105.

Akro has not referred us to a federal statute that provides for Luker's amenability to service independent of

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[1] Rule 4(e) provides, in relevant part, as follows: "Whenever a statute of the United States or an order of court thereunder provides for service of a summons . . . upon a party not an inhabitant of or found within the state in which the district court is held, service may be made under the circumstances and in the manner prescribed by the statute or order, or, if there is no provision therein prescribing the manner of service, in a manner stated in this rule. Whenever a statute or rule of court of the state in which the district court is held provides . . . for service of a summons . . . upon a party not an inhabitant of or found within the state . . . service may . . . be made under the circumstances and in the manner prescribed in the statute or rule." FED. R. CIV. P. 4(e).

Rule 4(e),[2] and we are aware of no such statute. We must therefore determine whether Akro can serve Luker under Ohio statutes and rules and, if so, whether jurisdiction can be maintained consistent with due process.

B. *The Reach of Ohio's Long-Arm Statute*

The Ohio long-arm statute provides, in relevant part, that an Ohio court "may exercise personal jurisdiction over a person . . . as to a cause of action arising from the person's . . . [t]ransacting any business in this state . . . ." OHIO REV. CODE ANN. § 2307.382(A)(1) (1991). The complementary procedural rule, Ohio Civil Rule 4.3(A)(1), authorizes out-of-state service of process on a defendant who is "[t]ransacting any business in" Ohio, and its reach is equal to that of the long-arm statute. *Goldstein v. Christiansen*, 638 N.E.2d 541, 544 (Ohio 1994); *Kentucky Oaks Mall Co. v. Mitchell's Formal Wear, Inc.*, 559 N.E.2d 477, 479 (Ohio 1990), *cert. denied*, 499 U.S. 975 (1991).

The Sixth Circuit first held that the "transacting any business" portion of the Ohio long-arm statute extends to the greatest reach consistent with due process in *In-Flight Devices Corp. v. Van Dusen Air, Inc.*, 466 F.2d 220, 224-25 (6th Cir. 1972). There is no shortage of cases reaffirming this construction of the statute,[3] and we elect to follow it. Our sole inquiry thus becomes whether the

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[2] The only specific provision for service of process in patent suits applies to patentees "not residing in the United States," 35 U.S.C. § 293 (1988), and is not applicable here.

[3] *Reynolds v. International Amateur Athletic Fed'n*, 23 F.3d 1110, 1116 (6th Cir.), *cert. denied*, 115 S. Ct. 423 (1994); *Creech v. Roberts*, 908 F.2d 75, 79 (6th Cir. 1990), *cert. denied*, 499 U.S. 975 (1991); *American Greetings Corp. v. Cohn*, 839 F.2d 1164, 1167 (6th Cir. 1988); *R.L. Lipton Distrib. Co. v. Dribeck Importers, Inc.*, 811 F.2d 967, 969 (6th Cir. 1987); *Welsh v. Gibbs*, 631 F.2d 436, 439 (6th Cir. 1980), *cert. denied*, 450 U.S. 981 (1981). *See also Columbus Show Case Co. v. CEE Contracting, Inc.*, 599 N.E.2d 881, 884 (Ohio Ct. App. 1992).

trial court can exercise personal jurisdiction over Lukei in this case consistent with due process. *R.L. Lipton Distrib. Co. v. Dribeck Importers, Inc.*, 811 F.2d 967, 969 (6th Cir. 1987) ("This Ohio [long-arm] statute has been construed to extend to the outer limits of due process, and thus an Ohio personal jurisdiction analysis becomes an examination of constitutional limitations.") (citation omitted).

C. *The Requirements of Due Process*

Because subject matter jurisdiction over Akro's action exists by virtue of a federal question, rather than the diversity of the parties, "[t]he Due Process Clause that is at issue here is the Due Process Clause of the *Fifth Amendment*." *Beverely Hills Fan*, 21 F.3d at 1560 n.1, 30 USPQ2d at 1003 n.1. The Supreme Court's constitutional jurisprudence of personal jurisdiction, however, includes only state and diversity cases, 4 CHARLES A. WRIGHT & ARTHUR R. MILLER, FEDERAL PRACTICE AND PROCEDURE § 1067.1 at 305 (1987 & Supp. 1994), and thus explicates the demands of the Fourteenth Amendment's Due Process Clause, rather than that of the Fifth's.[4] We, like the Seventh and Eighth Circuits,[5] have nonetheless applied the "minimum contacts" standards of *International Shoe* and its progeny to questions of personal jurisdiction in federal question cases, such as those arising

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[4] The Court never reached the due process question urged on it by the petitioner in *Omni Capital Int'l*, 484 U.S. at 102-03 n.5, the only federal question case among those addressing the limits due process places on an otherwise lawful exercise of personal jurisdiction.

[5] *See Dakota Indus., Inc. v. Dakota Sportswear, Inc.*, 946 F.2d 1384, 1389 n.2, 20 USPQ2d 1450, 1453 n.2 (8th Cir. 1991) (applying Fifth Amendment in trademark infringement case); *Honeywell, Inc. v. Metz Apparatewerke*, 509 F.2d 1137, 1143, 184 USPQ 387, 391-92 (7th Cir. 1975) (applying Fifth Amendment in patent infringement case, and collecting federal question cases applying "minimum contacts" standard).

under the patent laws. *See, e.g., North American Philips*, 35 F.3d at 1580, 32 USPQ2d at 1206; *Beverly Hills Fan*, 21 F.3d at 1565-69, 30 USPQ2d at 1006-10.

In *International Shoe Co. v. Washington*, the Supreme Court held that "due process requires only that in order to subject a defendant to a judgment *in personam*, if he be not present within the territory of the forum, he have certain minimum contacts with it such that the maintenance of the suit does not offend 'traditional notions of fair play and substantial justice.'" 326 U.S. 310, 316 (1945) (quoting *Milliken v. Meyer*, 311 U.S. 457, 463 (1940)). Subsequent cases clarify how minimal such "minimum contacts" may be without violating the due process rights of the defendant. The Court most recently summarized its "minimum contacts" jurisprudence as follows:

> The Due Process Clause protects an individual's liberty interest in not being subject to the binding judgments of a forum with which he has established no meaningful contacts, ties, or relations. By requiring that individuals have fair warning that a particular activity may subject them to the jurisdiction of a foreign sovereign, the Due Process Clause gives a degree of predictability to the legal system that allows potential defendants to structure their primary conduct with some minimum assurance as to where that conduct will and will not render them liable to suit.
>
> Where a forum seeks to assert specific jurisdiction over an out-of-state defendant who has not consented to suit there, this fair warning requirement is satisfied if the defendant has *purposefully directed his activities at residents of the forum and the litigation results from alleged injuries that arise out of or relate to those activities*. . . . Jurisdiction is proper . . . where the contracts proximately result from actions by the defendant himself that create a substan-

> tial connection with the forum State. Thus where the defendant deliberately has engaged in significant activities within a State, or has *created continuing obligations between himself and residents of the forum*, he manifestly has availed himself of the privilege of conducting business there, and because his activities are shielded by the benefits and protections of the forum's laws it is presumptively not unreasonable to require him to submit to the burdens of litigation in that forum as well.

Burger King Corp. v. Rudzewicz, 471 U.S. 462, 471-76 (1985) (internal, quotations and citations omitted) (emphasis added). In brief, the due process inquiry requires that we determine whether Luker "purposefully directed his activities at residents of" Ohio and, if so, whether "the litigation results from alleged injuries that arise out of or relate to those activities." *Id.* at 472.

Satisfaction of these two conditions, while necessary, is not always sufficient to justify personal jurisdiction over the defendant. An additional fairness inquiry rounds out the determination whether personal jurisdiction can be exercised in a given case consistent with the Due Process Clause. As the Court held in *Burger King*,

> Once it has been decided that a defendant purposefully established minimum contacts within the forum State, these contacts may be considered in light of other factors to determine whether the assertion of personal jurisdiction would comport with fair play and substantial justice. . . . [W]here a defendant who purposefully has directed his activities at forum residents seeks to defeat jurisdiction, he must present a compelling case that the presence of some other considerations would render jurisdiction unreasonable. Most such considerations usually may be accommodated through means short of finding jurisdiction unconstitutional. For example, . . . a defendant claiming substantial inconvenience may seek a change of venue.

Id. at 476-77 (internal quotations and citations omitted). Where, as here, the defendant argues that, quite apart from the "minimum contacts" inquiry, the assertion of jurisdiction over his person fails to comport with notions of fair play and substantial justice, we must satisfy ourselves that the defendant has not presented a compelling case that jurisdiction would be constitutionally unreasonable. But the burden of proof is his.

1. The Purposefully Directed Activities.—Akro relies on both Luker's warning letters to its patent counsel and his entry into an exclusive license agreement regarding the '602 patent with Pretty Products to demonstrate that Luker has purposefully directed his activities at residents of Ohio. As Akro correctly observes, Luker initiated each of the contacts with Ohio, directing them toward residents of Ohio—either Pretty or Akro—over a span of three years. Moreover, as Luker made clear in one if his letters to Akro, dated April 20, 1992, the exclusivity of his license agreement with Pretty Products created continuing obligations between Pretty and Luker and "eliminate[d] any possibility of his entering into any type of licensing arrangement" with Akro. Indeed, it could scarcely be more clear that Luker purposefully directed activities at residents of Ohio within the meaning of the due process inquiry mandated by *Burger King* and *International Shoe*.

Luker makes two arguments aimed at weakening this conclusion. Both are unavailing. First, in an effort to reduce the extent to which his activities were directed at Ohio, Luker argues that all the warning letters but his first were directed to Akro's counsel in North Carolina, not to Akro in Ohio. To sanction this argument, we must both ignore basic principles of agency law [6] and

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[6] *See, e.g.*, 3 AM. JUR. 2D *Agency* § 2 at 510 (1986) ("The fundamental idea of agency has its conception in something lawful that a person may do and a delegation by such person to another of the power lawfully to do that thing. It is, accordingly, a consequence

"exalt form over substance in an area where the Supreme Court generally has cautioned against such an approach." *North American Philips*, 35 F.3d at 1579, 32 USPQ2d at 1205 (citing *Burger King*, 471 U.S. at 478-79). We therefore conclude, instead, that all Luker's warning letters were, for purposes of our due process inquiry, directed to Akro in Ohio.

Second, Luker contends that the terms of his license agreement with Pretty Products are not properly before us, and that they can thus play no role in our due process analysis. Akro, however, entered Luker's warning letters into the trial record as appendices to its memorandum in opposition to Luker's motion to dismiss, and into the appellate record as an appendix to its opening brief. The letters, which make clear the principal terms of the agreement, are therefore properly before us. Alternatively, Luker asserts that to consider the terms of the agreement as part of our jurisdictional inquiry would be impermissibly to rely on hearsay. Luker did not, however, object to the truth of the statements in the letters, nor to their status as hearsay, when the letters were presented to the trial court. Such objections have thus been waived. Finally, even if Luker *had* objected to the hearsay nature of the statements at trial, such an objection would have been overruled, as we have held that hearsay "bear[ing] circumstantial indicia of reliability" may be admitted for purposes of determining whether personal jurisdiction obtains. *Beverly Hills Fan*, 21 F.3d at 1562, 30 USPQ2d at 1004. *See also* FED. R. EVID. 801(d)(2) (excluding party-opponent admissions from definition of hearsay).

2. *Their Relationship to the Cause of Action.*—Having concluded that Luker purposefully directed activities

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of the relationship that whatever an agent does in the lawful prosecution of the transaction entrusted to him is the act of the principal, and it is a fundamental maxim of agency that 'qui facit per alium facit per se,' that is to say, he who acts through another acts by or for himself.") (footnotes omitted).

regarding the '602 patent at both Akro and Pretty Products in Ohio, we must next consider whether Akro's action for declarations of noninfringement, invalidity, and unenforceability of the '602 patent "arise[s] out of or relate[s] to those activities." *Burger King*, 471 U.S. at 472.

The Supreme Court has avoided general pronouncements on the nexus required to satisfy this "arise out of or relate to" prong of the due process inquiry. *See, e.g., Carnival Cruise Lines v. Shute*, 499 U.S. 585, 589 (1991) (declining to reach the issue despite having certified it for review); *Helicopteros Nacionales de Colombia v. Hall*, 466 U.S. 408, 415 n.10 (1984) (declining to reach the issue). Nonetheless, a few guideposts do exist in this area. The Court's holdings in *Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770 (1984), and *Calder v. Jones*, 465 U.S. 783 (1984), make it clear that the plaintiff need not be the forum resident toward whom any, much less all, of the defendant's relevant activities were purposefully directed. In both cases, the plaintiffs brought state law libel actions against out-of-state publishers and, in *Calder*, authors and editors. The Court concluded in both cases that personal jurisdiction over the defendants would not violate due process where the publications containing the alleged libels were purposefully directed to consumers within the forum state. Indeed, in *Calder*, such purposeful circulation was enough to ground personal jurisdiction over the reporter who wrote the story and the editor who put it into its final form. 465 U.S. at 789-90. Second, as the First Circuit recently observed, "it [is] significant that the constitutional catch-phrase ['arise out of or relate to'] is disjunctive in nature," indicating "added flexibility and signal[ing] a relaxation of the applicable standard" from a pure "arise out of" standard. *Ticketmaster-New York, Inc. v. Alioto*, 26 F.3d 201, 206 (1st Cir. 1994) (collecting cases). With both these guideposts in mind, we survey the various cases to which Akro and Luker analogize the instant case.

Akro relies principally on *B & J Mfg. v. Solar Indus.*, 483 F.2d 594 (8th Cir. 1973), *cert. denied*, 415 U.S. 918 (1974), and *Nova Biomedical Corp. v. Moller*, 629 F.2d 190 (1st Cir. 1980). *B & J Manufacturing*, like the instant case, involved an action for a declaratory judgment of patent invalidity and noninfringement. The action was filed in the District of Minnesota by a Minnesota corporation against the patentee, an Illinois corporation. The Illinois corporation was alleged to have the following contacts with Minnesota: (1) it sent warning letters to the plaintiff in Minnesota; (2) it sold products other than the one covered by the patent at issue to consumers in Minnesota; and (3) it advertised its products in national publications, some of which were distributed in Minnesota. 483 F.2d at 598. Affirming the trial court's holding that personal jurisdiction comported with due process on these facts, the Eighth Circuit reasoned as follows:

> The fact that the defendant has, itself, not directly or indirectly sold the [competing product at issue] in the state because it did not wish the plaintiff to be able to obtain jurisdiction over it in this action hardly defeats jurisdiction here. . . . It is evident from the trial court's findings of fact that the quantity, quality and nature of the defendant's contacts with the jurisdiction are substantial. The defendant has voluntarily entered into a number of business transactions, including the acquisition of the patent and attempts at enforcement, which it knew would have consequences in the state. Moreover, in view of the defendant's extensive contacts with the forum, *we believe that the contacts are sufficiently connected with the cause of action to satisfy due process.* Furthermore, Minnesota most certainly has an interest in providing a forum for a resident who claims that a foreign corporation is attempting to prevent it from manufacturing and marketing its product.

Id. at 598-99 (citations omitted) (emphasis added). The primary difference between *B & J Manufacturing* and the instant case is that Luker, rather than selling unrelated products within the forum state, granted an exclusive license to one of the accused infringer's competitors. As Luker indicates, the Eighth Circuit has since commented on *B & J Manufacturing in Land-O-Nod Co. v. Bassett Furniture Indus.*, 708 F.2d 1338 (8th Cir. 1983). In *Land-O-Nod*, the court expressed the view that the court in *B & J Manufacturing* "did not specifically discuss in its due process analysis the relationship of the cause of action to the forum." *Id.* at 1342. As the emphasized portion of the above quotation from *B & J Manufacturing* makes clear, however, the *Land-O-Nod* court's observation in this regard is simply incorrect. Thus, Luker's reliance on the ersatz critique of *B & J Manufacturing* presented in *Land-O-Nod* to the contrary notwithstanding, we find strong support for Akro's position in *B & J Manufacturing*.

In *Nova Biomedical*, the First Circuit spent the bulk of its time discussing the breadth of the "transacting any business" clause of the Massachusetts long-arm statute. 629 F.2d at 193-97 (concluding that the defendant had transacted business for purposes of the statute). The plaintiff sought a declaration that the out-of-state patentee's patent was invalid, not infringed, and unenforceable. *Id.* at 191. The foreign patentee's contacts with the forum state were three: (1) he sent the plaintiff two warning letters; (2) prior to sending the warning letters, he entered into a cross-licensing agreement with an in-state competitor of the plaintiff; and (3) he sold products, almost all of which were unrelated to the patent in suit, to his in-state cross-licensee. *Id.* at 191-92. Calling the defendant's contacts with the forum "extensive and ongoing," the court simply noted in passing that "[t]here is little dispute that the assertion of jurisdiction would comport with due process." *Id.* at 193. It did not, how-

ever, reach the question whether the declaratory judgment action "can be said to 'arise from' Moller's principal contacts with the forum." *Id.* at 193 n.3. This case implicitly provides some support for Akro's position in the instant case.

The cases on which Luker relies, by contrast, are uniformly unavailing. Three of the cases which Luker cites in the course of his argument expressly declined to reach the due process prong of the personal jurisdiction inquiry, having held that the state long-arm statutes at issue did not reach the defendants. *Hydraulics Unlimited Mfg. v. B/J Mfg.*, 449 F.2d 775, 777 (10th Cir. 1971); *Unistrut v. Baldwin*, 815 F. Supp. 1025, 1027 (E.D. Mich. 1993); *Shepard's McGraw-Hill, Inc. v. Legalsoft Corp.*, 769 F. Supp. 1161, 1165 (D. Colo. 1991). They thus have nothing to teach about the due process questions raised here.

Luker cites the following cases for the proposition that warning letters from and negotiations for a license with an out-of-state patentee cannot, without more, support personal jurisdiction in an action for a declaratory judgment of patent invalidity and noninfringement: *Ryobi America Corp. v. Peters*, 815 F. Supp. 172, 176 (D.S.C. 1993); *KVH Indus. v. Moore*, 789 F. Supp. 69, 72-73 (D.R.I. (1992); *Consumer Direct Inc. v. McLaughlin*, 20 USPQ2d 1949, 1951 (N.D. Ohio 1991); *Gesco Int'l Inc. v. Luther Medical Prods., Inc.*, 17 USPQ2d 1168, 1171 (W.D. Tex. 1990); *Boatel Indus. v. Wollard*, 2 USPQ2d 1946, 1948 (D. Minn. 1987); *Classic Golf Co. v. Karsten Mfg. Co.*, 231 USPQ 884, 885 (N. D. Ill. 1986); *Rheodyne, Inc. v. Ramin'*, 201 USPQ 667, 669 (N.D. Cal. 1978). The cases Luker cites on this particular point, however accurately described, are simply inapposite. The case at bar involves an additional activity aimed at the forum state—namely, the patentee's exclusive licensing of one of the accused infringer's com-

petitors within the forum state.[7] Luker's exclusive license agreement with Akro's local competitor Pretty Products undoubtedly relates to Akro's challenge to the validity and enforceability of the '602 patent. Indeed, the agreement obliges Luker "to defend and pursue any infringement against" the '602 patent.

Luker further argues that "[s]everal cases have found no personal jurisdiction . . . where the contacts with the forum state include . . . infringement letters and a license agreement." The cases Luker cites, however, involved defendant licensees who, like the defendant patentees, were *not* residents of the forum state. *Tol-o-Matic, Inc. v. Proma Produkt-Und Marketing Gesellschaft, m.b.H.*, 690 F. Supp. 798, 800 (D. Minn. 1987); *Aluminum Housewares Co. v. Chip Clip Corp.*, 609 F. Supp. 358, 360 (E.D. Mo. 1984); *S.S. Kresge Co. v. Kamei-Autokomfort*, 363 F. Supp. 257, 258 (D. Minn. 1973). Again, the cases are simply inapposite.

We conclude that Akro's declaratory judgment action arises out of or relates to the activities Luker purposefully directed at residents of Ohio.

3. *The Constitutional Reasonableness of Jurisdiction.*—As *Burger King* indicates, where personal jurisdiction has been shown to otherwise comport with due process, the defendant may yet defeat it on constitutional grounds if he can make "a compelling case that the presence of some other considerations would render jurisdiction unreasonable." 471 U.S. at 477. As we noted in *Beverly Hills Fan*, such defeats of otherwise constitutional personal jurisdiction "are limited to the rare situation in which the plaintiff's interest and the state's interest in

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[7] Interestingly, in *Consumer Direct*, a personal jurisdiction case involving Ohio's long-arm statute, the court noted the lack of any in-state licensee as among the facts demonstrating that the defendant patentee had not purposefully directed his activities toward the state of Ohio. 20 USPQ2d at 1951.

adjudicating the dispute in the forum are so attenuated that they are clearly outweighed by the burden of subjecting the defendant to litigation within the forum." 21 F.3d at 1568, 30 USPQ2d at 1009.

Akro argues, quite rightly, that Ohio "has a 'manifest interest' in providing its residents with a convenient forum for redressing injuries inflicted by out-of-state actors." *Burger King*, 471 U.S. at 473 (quoting *McGee v. International Life Ins. Co.*, 355 U.S. 220, 223 (1957)). The injury of which Akro complains—restraint of its production of goods by means of a non-infringed, invalid and/or unenforceable patent—falls well within the boundaries of the sorts of injuries that Ohio has an interest in discouraging. *See Beverly Hills Fan*, 21 F.3d at 1568, 30 USPQ2d at 1009 (Virginia's interest in discouraging injuries within its boundaries "extends to design patent infringement actions"). Importantly, "[t]hat it is to plaintiff's advantage to adjudicate the dispute in the district court" that it has chosen "does not militate against its right to have access to that court." *Id.* The district court in which Akro filed its action "is part of the exclusive mechanism established by Congress for the vindication of patent rights. The fact that it [may have] unique attributes of which plaintiff . . . has an interest in taking advantage does not change the case." *Id.* at 1568-69.

Luker, despite bearing the burden on this issue, points to no considerations rendering jurisdiction unreasonable that could not be addressed by filing for a change of venue under 28 U.S.C. § 1404(a) (1988). Indeed, he points to no such considerations at all, incorrectly asserting that the burden is on Akro to show that jurisdiction is reasonable in this case. We therefore conclude that personal jurisdiction over Luker has not been shown to be unconstitutionally unreasonable.

CONCLUSION

Because Luker purposefully directed activities regarding the '602 patent toward residents of Ohio, those activities are related to Akro's cause of action, and Luker failed to demonstrate that jurisdiction over him would be unconstitutionally unreasonable, the trial court erred in concluding that it could not exercise personal jurisdiction over Luker consistent with due process. For these reasons, the decision of the trial court must be and is reversed and the case remanded for further proceedings.

REVERSED AND REMANDED

COSTS

Appellee Ken Luker to bear costs.

APPENDIX B

[Filed Feb. 9, 1994]

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

Case No. 5:93CV2207

Judge Sam H. Bell

THE AKRO CORPORATION,
Plaintiff

—vs—

KEN LUKER,
Defendant.

ORDER

Now pending before the court is defendant's motion to dismiss for lack of personal jurisdiction pursuant to Fed. R. Civ. P. 12(b)(2). (Docket #13.) The underlying complaint seeks declaratory judgment that plaintiff is not infringing a patent for automobile floor mats held by plaintiff.

Factually, defendant sent a letter to plaintiff in Canton, Ohio on October 4, 1990 alerting plaintiff that defendant thought that plaintiff was infringing on defendant's automobile floormat patent. Thereafter, the parties unsuccessfully attempted to negotiate a license agreement. In March, 1992, defendant entered into a license agreement with Pretty Products, Inc., of Coshocton, Ohio.

Personal jurisdiction is divided into two general categories, general and specific. *Burger King v. Rudzewicz*, 471 U.S. 462, 472-73 (1985). The evidence does not

support a finding that defendant has such continuous and systematic contacts with Ohio that this court can exercise jurisdiction over him regardless of whether claim arises from his contacts with Ohio. Accordingly, we must analyze the record to determine whether the instant cause arose from or is related to defendant's contacts with Ohio. The Sixth Circuit has adopted a three-part test for determining when specific jurisdiction exists:

> First, the defendant must purposefully avail himself of the privilege of acting in the forum state or causing a consequence in the forum state. Second, the cause of action must arise from the defendant's activities there. Finally, the acts of the defendant or consequences caused by the defendant must have a substantial enough connection with the forum state to make the exercise of jurisdiction over the defendant reasonable.

Southern Machine Co. v. Mohasco Industries, Inc., 401 F.2d 374, 381 (6th Cir. 1968).

Plaintiff argues that defendant's license agreement with Pretty Products amounts to doing business in Ohio. Assuming that this is correct, under the *Southern Machine* test, the next step is to determine whether the instant declaratory judgment action "arises from or is related to" the Pretty Products license agreement.

Plaintiff relies on *Third National Bank in Nashville v. WEDGE Group Inc.*, 882 F.2d 1087, 1089 (6th Cir. 1989).

> [T]he second criterion does not require that the cause of action formally "arise from" defendant's contacts with the forum; rather, this criterion requires only "that the cause of action, of whatever type, *have a substantial connection* with the defendant's in-state activities." 401 F.2d at 384 n. 27 (emphasis added); *cf. Lanier v. American Board of Endodontics*, 843 F.2d 901, 909 (6th Cir.) (hold-

> ing that "arising out of" requirement of state long-arm statute was satisfied if the cause of action was "made possible by" or "lies in the wake of" the defendants state contacts), *cert. denied*, —— U.S. ——, 109 S.Ct. 310, 102 L.Ed.2d 329 (1988). "Only when the operative facts of the controversy are not related to the defendant's contact with the state can it be said that the cause of action does not arise from that [contact]." 401 F.2d at 384 n. 29.

Id. at 1091 (footnote omitted).

Factually, *Third Nat'l Bank* is very different from the instant cause. Third National, a Tennessee bank, loaned money to the Rodgers Companies ("TRC"), a Tennessee company, which was a subsidiary of WEDGE, a Texas company. In exchange for the loan, the Bank took a security interest in TRC's accounts receivables and rights to payment. WEDGE and TRC executed a tax savings agreement in Texas under which WEDGE incurred a $2.6 million liability to TRC. WEDGE owned 100% of TRC. WEDGE directors served as TRC directors and met in Tennessee as often as once a month to direct TRC's activities.

In 1985, WEDGE officers negotiated with the Bank to secure an extension of credit. Those negotiations resulted in WEDGE making a capital contribution to TRC of $7.5 million which was placed in a Bank checking account disbursible only at the direction of a WEDGE officer. In 1986, WEDGE again negotiated with the Bank, this time to smooth the way for WEDGE's sale of TRC to TRC's management. Pursuant to the 1986 agreement made in Tennessee, the Bank agreed to temporarily forebear collecting the payments owed by a WEDGE to TRC under the tax savings agreement. Once TRC management defaulted on their loan, the Bank pursued TRC's claim for payment from WEDGE. *Id.* at 1088.

WEDGE argued that the tax savings agreement was made in Texas, not Tennessee, therefore, personal juris-

diction did not exist. The Sixth Circuit, reciting the long litany of WEDGE's contacts with Tennessee through the operation of its subsidiary and the various negotiations and agreements with the Bank, easily found that the cause of action seeking payment of monies owed under the tax savings agreement was related to the contacts with Tennessee. *Id.* at 1091. It is difficult to apply by analogy the rationale of *Third Nat'l Bank* to support the exercise of jurisdiction in instant cause.

The only contact relied upon by plaintiff is the agreement between defendant and Ohio-based Pretty Products granting Pretty Products a license to manufacture floor mats under the same patent which is challenged in this suit. Plaintiff is hard-pressed to show that the instant cause was "made possible" by or "lies in the wake of" the Pretty Products Agreement. *See Lanier*, 843 F.2d 901, 909 (6th Cir. 1988), (quoting *In-Flight Devices Corp. v. Van Dusen Air, Inc.*, 466 F.2d 220, 231 (6th Cir. 1972)) and *In re Oil Spill by Amoco Cadiz*, 699 F.2d 909 (7th Cir.), *cert. denied*, 464 U.S. 864 (1983)).

To the contrary, the instant cause appears to be substantially independent of the Pretty Products agreement. First, the letter threatening a patent infringement action against plaintiff was sent seventeen months before the Pretty Products license. Second, a patent infringement action between plaintiff and defendant would lie regardless of whether plaintiff granted an Ohio manufacturer a license. The only question involved in the instant litigation is whether plaintiff is infringing on defendant's patent.

This suit necessarily arises from and is related to defendant's application for and possession of, the floor mat patent. It does not arise from and is not related to any license granted by defendant to a manufacturer in Ohio or anywhere else. Specific jurisdiction over the instant patent infringement cause can not rest on defendant's

license agreement. Accordingly, the motion to dismiss, docket # 13, is GRANTED.

IT IS SO ORDERED.

/s/ Sam H. Bell
SAM H. BELL
U.S. District Judge

APPENDIX C

[Filed Feb. 9, 1994]

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

Case No. 5:93CV2207

Judge Sam H. Bell

THE AKRO CORPORATION,
Plaintiff

—VS—

KEN LUKER,
Defendant.

JUDGMENT ENTRY

This court having filed its order of decision of the matters in this action now orders, pursuant to Fed. R. Civ. P. 58, that this action is hereby terminated.

IT IS SO ORDERED.

/s/ Sam H. Bell
SAM H. BELL
U.S. District Judge

Supreme Court, U.S.
FILED

No. 94-1748

IN THE
Supreme Court of the United States
OCTOBER TERM, 1994

KEN LUKER,
Petitioner,

v.

THE AKRO CORPORATION,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

RESPONDENT'S BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

Respondent The Akro Corporation ("Akro") generally objects to Petitioner Ken Luker's ("Luker") statement of the questions presented as being argumentative and without foundation in the underlying record. Akro further objects to Luker's statement of the first question presented as it is based on the incorrect premise that the Federal Circuit Court of Appeals disregarded "the traditional due process analysis established by the regional circuits." Similarly, Akro objects to Luker's second question presented as it misstates the legal analysis performed by the Federal Circuit. Finally, Akro objects to Petitioner's statement of the third question presented as it omits relevant facts from the undisputed factual record before the court below, thereby distorting the foundation of the decision of the Federal Circuit. Accordingly, Respondent restates the questions presented as follows:

I. Whether the Federal Circuit was correct in applying its own law to determine if a district court has personal jurisdiction over an out-of-state patentee in a declaratory judgment action for patent invalidity and non-infringement, where the law applied by the Federal Circuit is consistent with Supreme Court precedent and the decisions of the regional circuits?

II. Whether the Federal Circuit considered the Ohio long-arm statute in concluding that the District Court could exercise personal jurisdiction over Luker?

III. Whether policy reasons justify crafting an exception to the Supreme Court's "minimum contacts" test of personal jurisdiction under the Due Process Clause?

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1994

No. 94-1748

KEN LUKER,

Petitioner,

v.

THE AKRO CORPORATION,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

---

RESPONDENT'S BRIEF IN OPPOSITION

Respondent The Akro Corporation ("Akro")[1] respectfully opposes Petitioner Ken Luker's ("Luker") Petition for a Writ of Certiorari to review the judgment and opinion of the United States Court of Appeals for the Federal Circuit entered in this action on January 20, 1995.

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

As Luker failed to include the text of the Constitutional and statutory provisions involved in this petition, as required by this Court's Rule 14(f), the text of these provisions are included below for the Court's convenience.

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[1] The Akro Corporation is a wholly-owned subsidiary of Collins & Aikman Group, Inc. All of the common stock of Collins & Aikman Group, Inc. is owned by Collins & Aikman Holding Corp.

(1) *United States Constitution, Amendment V*

No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or navel forces, or in the Militia, when in actual service in time of War or public danger; nor shall any person be subject for the same offense to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.

(2) *Ohio Rev. Code Ann. § 2307.38.2(A)(1) & (6)*

(A) A court may exercise personal jurisdiction over a person who acts directly or by an agent, as to a cause of action arising from the person's:

(1) Transacting any business in this state;

. . .

(6) Causing tortious injury in this state to any person by an act outside this state committed with the purpose of injuring persons, when he might reasonably have expected that some person would be injured thereby in this state. . . .

STATEMENT OF THE CASE

The only issue currently before this Court is whether there are "special and important reasons" for this Court to review the Federal Circuit's January 20, 1995 decision in this matter. (S. Ct. R. 10.1(a)). As shown below, such review is clearly unwarranted as Luker's arguments are based on insupportable interpretations of the prior decisions of this Court and the regional circuits, mischaracterizations of the analysis performed by the Federal Circuit below, and assumed factual scenarios completely

distinct from the undisputed facts before the Federal Circuit. Furthermore, Luker never demonstrates that the errors allegedly committed below give rise to "important reasons" for this Court to review what is simply an unnoteworthy application of the law related to personal jurisdiction established by this Court. As Luker has neither demonstrated that an error was made below, nor that review by this Court is warranted, Akro respectfully submits that Luker's petition should be denied.

A. Luker's Dealings With Akro and Pretty Products.

Respondent Akro is an Ohio corporation that manufactures floor mats for the automobile industry. Petitioner Luker is an individual residing in Orange, California. Luker is the named inventor of U.S. Patent No. 4,871,602 ("the '602 patent"), which generally relates to vehicle floor mats having a band of higher density tufting.

The activities that gave rise to the present controversy first commenced on or about October 4, 1990 when Akro received a letter from Luker accusing Akro of "manufacturing auto floor mats using Luker's patent" and alleging that Akro's "use of this patent would be an infringement of his patent rights." The letter went on to warn that Luker would seek remedies including "injunctive relief, compensatory damages and attorneys' fees."

Thereafter, Akro and Luker, through their respective counsel, negotiated in an attempt to resolve the dispute arising from Luker's allegations. During and after these negotiations, Luker, through counsel, sent letters on six separate occasions between February 1991 and October 1993 reiterating his infringement accusations and/or threats that litigation would be instituted against Akro.[2]

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[2] Luker's petition continues to emphasize that only a single infringement letter was sent to Akro in Ohio, as the remaining six letters were mailed to Akro's attorneys in North Carolina. (Pet. p. 2). While the District Court apparently believed that the letters sent to Akro's North Carolina counsel were not directed at Ohio,

These threats created a cloud over Akro's business in Ohio and otherwise irreparably injured Akro in Ohio.

In March 1992, Luker granted Pretty Products ("Pretty") an exclusive license under the '602 patent. Pretty, a direct competitor of Akro, is an Ohio corporation that manufactures floor mats in Coshocton, Ohio. Luker does not dispute that he communicated with Pretty in Ohio while negotiating the terms of this license. Furthermore, the license with Pretty creates ongoing contacts between Luker and Ohio as it, *inter alia*, obligates Luker to protect Pretty against infringement of the '602 patent.[3] As such, the five letters which accused Akro of infringement and/or threatened litigation that Luker sent to Akro subsequent to March 1992 were all necessarily related to the ongoing contractual obligation Luker voluntarily entered into with Pretty in Ohio. Moreover, as Luker first threatened Akro *prior* to entering the license agreement with Pretty, he took on this contractual enforcement obligation *knowing* that it would require him to enforce the '602 patent on behalf of Pretty, an Ohio Corporation doing business in Ohio, against Akro, which also is an Ohio Corporation doing business in Ohio.

In addition to Luker's enforcement obligation under the license agreement, the relationship between Luker and Pretty also gives Pretty the opportunity to participate in litigation involving infringement of the '602 patent. In fact, one of Luker's threatening letters warned that Luker

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the Federal Circuit expressly rejected this argument, holding that all seven letters were "directed to Akro in Ohio" for purposes of the personal jurisdiction inquiry. (Pet. App. pp. 10a-11a). Luker has not challenged that finding in the present petition to this Court.

[3] Luker implies in his petition that the terms of the license were not properly before the Federal Circuit. (Pet. p. 3). This argument was rejected by the Federal Circuit, and as Luker has not challenged this finding in his petition for certiorari, those terms of the license agreement that were before the Federal Circuit and which are recited herein are properly before this Court.

"and/or his licensee intend to pursue [Akro's] infringement." Moreover, Pretty has consulted with and presumably encouraged Luker in his allegations against Akro.

B. The District Court and Federal Circuit Proceedings.

On October 15, 1993, Akro sued Luker for a declaratory judgment that the '602 patent is invalid, unenforceable, and not infringed by Akro. The lawsuit was prompted by Luker's repeated patent infringement accusations and litigation threats against Akro, which have created a cloud over Akro's right to manufacture floor mats and have caused uncertainty among Akro's customers and potential customers. This injury to Akro occurred in Ohio. As alleged in Akro's Complaint, it is these actions by Luker that have given rise to the justiciable controversy between the parties.

Luker did not respond to the allegations in Akro's complaint, but instead filed a Motion to Dismiss for Lack of Personal Jurisdiction. The District Court granted Luker's motion to dismiss on February 9, 1994. In so ruling, the District Court discounted the numerous infringement letters that Luker sent to Akro's patent counsel because Akro's counsel is located in North Carolina, thereby elevating form over substance and ignoring basic agency law.

A unanimous panel of the Court of Appeals for the Federal Circuit properly reversed the holding of the District Court. Following the test set out in *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 471-76 (1985), the Court examined Luker's contacts with Ohio to determine whether Luker " 'purposefully directed his activities at residents of' Ohio and, if so, whether 'the [present lawsuit] results from alleged injuries that arise out of or relate to those activities.' "[4] (Pet. App. p. 9a). Noting

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[4] As discussed *infra* in Section II of the argument and contrary to the second question Luker presents to this Court, before pro-

that Luker sent numerous warning letters to Akro in Ohio over a three year period, entered into an exclusive license agreement regarding the '602 patent with Pretty, an Ohio corporation, and created continuing obligations between himself and Pretty, the Court concluded that "*it could scarcely be more clear that Luker purposefully directed activities at residents of Ohio within the meaning of the due process inquiry mandated by Burger King.*" (Pet. App. p. 10a). (Emphasis added). The Court went on to note that these contacts, including the exclusive license agreement, "undoubtedly relate to Akro's challenge to the validity and enforceability of the '602 patent," and thus concluded that a finding of personal jurisdiction over Luker was proper under the *Burger King* test. (Pet. App. pp. 16a, 18a).

SUMMARY OF ARGUMENT

The present petition is based on mischaracterizations of the prior decisions of this Court and the regional circuits, misstatements of the analysis performed by the Federal Circuit below, and assumed factual scenarios completely distinct from the undisputed facts before the Federal Circuit. For example, contrary to Luker's assertion, the Federal Circuit expressly followed the personal jurisdictional analysis set out by this Court in *Burger King* and *Omni Capital Int. v. Rudolf Wolff*, 484 U.S. 97 (1987), and correctly concluded that under those tests the trial court could exercise jurisdiction over Luker. Moreover, the court's finding in this regard, while properly made under Federal Circuit law given the unique patent-related issues involved, is consistent with and supported by the decisions of the regional circuits. Simi-

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ceeding to the Constitutional analysis, the Federal Circuit first concluded, based on decisions of the Ohio courts and the Sixth Circuit Court of Appeals, that the District Court could properly maintain jurisdiction over Luker under the Ohio long-arm statute so long as such jurisdiction was consistent with due process. (Pet. App. pp. 5a-7a).

larly, it is beyond dispute that the Federal Circuit considered the Ohio long-arm statute in deciding the issue on appeal below. Luker's baseless contentions to the contrary ignore several pages of analysis in the Federal Circuit opinion which consider whether Luker was amenable to service under Ohio's long-arm statute, and in fact simply demonstrate the frivolous nature of the present petition. Finally, in asserting that the decision below will discourage patentees from providing notice to alleged infringers, Luker assumes, contrary to the undisputed facts in the present case, that his only contact with the forum was a single notice to Akro. Luker's contrived "policy" argument also ignores the strong interest a forum state has in discouraging patentees such as Luker from using groundless infringement allegations to inflict harm on competitors.

Moreover, contrary to the rules of this Court, Luker's petition never demonstrates that the errors allegedly committed below give rise to "important reasons" for review of what is simply an unremarkable application of the personal jurisdiction rules set out by this Court. As such, it is respectfully submitted that Luker's present petition should be denied as it neither demonstrates that an error was committed below, nor that review by this Court is warranted.

REASONS FOR DENYING LUKER'S PETITION

I. THE FEDERAL CIRCUIT PROPERLY CHOSE TO APPLY ITS OWN LAW IN DETERMINING THAT THE DISTRICT COURT HAD PERSONAL JURISDICTION OVER LUKER.

A. The Opinion Below Is Consistent With the Congressional Mandate Which Created the Federal Circuit as the Jurisdictional Analysis in Declaratory Judgment Suits for Patent Invalidity and Non-Infringement Necessarily Hinges on Factual Situations Unique to Patent Cases.

The Federal Circuit properly chose to apply its own law in determining that the District Court could exercise personal jurisdiction over Luker. Congress created the Federal Circuit, in part, to achieve greater uniformity in patent law and to free the judicial process from the forum shopping caused by conflicting patent decisions in the regional circuits. *Aerojet-General Corp. v. Machine Tool Works*, 895 F.2d 736, 744 n. 20 (Fed. Cir. 1990). Thus, the Federal Circuit only applies the law of the regional circuits in matters that are not unique to patent law and unimportant to the goal of achieving national uniformity in patent practice. *See, e.g., Genentech, Inc. v. Eli Lilly & Co.*, 998 F.2d 931, 937 (Fed. Cir. 1993), *cert. denied*, 114 S. Ct. 1126 (1994).

The decision below is consistent with this Congressional mandate as the issue of whether specific jurisdiction can be maintained over a defendant patentee in a declaratory judgment action for patent invalidity/noninfringement implicates patent issues. *See Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1564 (Fed. Cir.), *cert. dismissed*, 115 S. Ct. 18 (1994) (holding that the law of the Federal Circuit should be used to determine if the District Court has specific jurisdiction over a non-resident alleged infringer as the issue is "intimately related to substantive patent law"). For example, in declaratory judgment actions for patent invalidity/noninfringement, whether

the facts in a given case were sufficient to create a reasonable apprehension in the plaintiff that it will be sued for infringement, thereby establishing a justiciable "case or controversy," is clearly a patent related question. *See Genentech*, 998 F.2d at 936-37; *Spectronics Corp. v. H.B. Fuller Co.*, 940 F.2d 631, 633-34 (Fed. Cir. 1991), *cert. denied*, 502 U.S. 1013 (1991). Furthermore, in cases such as the present, the existence of a patent creates additional factual issues related to business transactions by the defendant based on a patent as the underlying property right. Accordingly, the Federal Circuit properly chose to apply its own law in deciding the jurisdictional issue on appeal so as to fulfill its obligation to provide uniformity on patent related issues.

In suggesting that the Federal Circuit erred in concluding that its own law applied, Luker relies on *Firestone Tire & Rubber Co. v. Risjord*, 449 U.S. 368 (1981), *Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770 (1984) and *Panduit Corp. v. Allstates Plastic Mfg.*, 744 F.2d 1564 (Fed. Cir. 1984). None of these cases supports Luker's contentions. *Firestone*, which Luker miscites as stating that the Federal Circuit "exceeded its statutory mandate" by "developing its own body of personal jurisdiction law" in fact is completely unrelated to personal jurisdiction and simply holds that an appellate court cannot hear an appeal if it lacks jurisdiction. (Pet. p. 7). Similarly, the section of *Keeton* relied on by Luker simply states that any fairness concerns that arise from applying the New Hampshire statute of limitations to all aspects of a nationwide lawsuit are separate and distinct from the personal jurisdiction inquiry.[5] Finally, *Panduit* expressly recognizes that even procedural questions, if unique to

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[5] Luker cites *Keeton* for the proposition that "*choice of law* is a procedural rather than a substantive issue." (Pet. p. 7). (Emphasis added). It is unclear how such a proposition, even if found in *Keeton*, supports Luker's argument that the Federal Circuit exceeded its mandate by applying its own law in resolving the *personal jurisdiction* question at issue here.

patent issues, should be decided under Federal Circuit law. *See Panduit*, 744 F.2d at 1574-75. Thus, in fact, Luker has failed to point to *any* authority that holds application of the law of the Federal Circuit was improper in this case.

B. The Federal Circuit's Decision in *Arko* Is Consistent With Supreme Court Precedent and the Law of the Regional Circuits.

While the Federal Circuit correctly decided the instant case under its own law, its ruling was guided by, and consistent with, both the controlling precedent of this Court and the decisions of the regional circuits. Specifically, the Federal Circuit expressly followed the personal jurisdiction analysis set out by this Court in *Burger King* and *Omni Capital*, and concluded that under those tests the "trial court erred in concluding that exercising personal jurisdiction over Luker would transgress the boundary Fifth Amendment due process circumscribes for such exercise." (Pet. App. pp. 2a, 5a-16a). Moreover, the only Sixth Circuit case cited to the Federal Circuit by either party that involved a factual scenario similar to the case at bar held that the exercise of personal jurisdiction over the defendant was proper. *See Welsh v. Gibbs*, 631 F.2d 436 (6th Cir.), *cert. denied*, 450 U.S. 981 (1981). As such, it is clear that the Federal Circuit would have reached an identical result applying Sixth Circuit law, as both the Federal Circuit and the Sixth Circuit are constrained to apply the due process analysis set forth by this Court, and as both circuits have found that under such an analysis jurisdiction is proper in factual situations similar to the present case.

In light of the Federal Circuit's express analysis of the due process issue under the *Burger King* standard, Luker's assertion that the *Akro* decision adopts a "new law of personal jurisdiction" that conflicts with "the U.S. Supreme Court['s] and the regional circuits uniform approach to personal jurisdiction in these circumstances" is

clearly incorrect. (Pet. pp. 9, 13). To the contrary, as discussed *supra*, the decision below expressly followed this Court's precedent. The Federal Circuit's decision is also consistent with numerous regional circuit decisions that found personal jurisdiction in similar circumstances. *See, e.g., B & J Manufacturing Co. v. Solar Industries, Inc.*, 483 F.2d 594, 598 (8th Cir. 1973), *cert. denied*, 415 U.S. 918 (1974) (relying primarily on infringement letters in holding that the District Court could exercise personal jurisdiction over a non-resident patentee); *Nova Biomedical Corp. v. Moller*, 629 F.2d 190 (1st Cir. 1980) (finding personal jurisdiction based on a cease and desist letter, a letter threatening suit, a license agreement with another company in the forum state, and sales of unrelated products in the forum).

Although Luker never supports his contention that the opinion below conflicts with this Court's precedent, Luker does argue that *Akro* conflicts with the Tenth Circuit's decision in *Hydraulics Unlimited Mfg. v. B/J Mfg.*, 449 F.2d 775 (1971), and dicta in the Eighth Circuit's decision in *Land-O-Nod Co. v. Bassett Furniture Indus.*, 708 F.2d 1338 (1983). However, both of these cases were expressly considered by the Federal Circuit and neither case supports Luker's argument. As recognized by the Federal Circuit, *Hydraulics* was not decided under the due process clause and thus provides no insight into what actions by a non-resident defendant are sufficient to meet this Court's "minimum contacts" test under the due process clause. Similarly, the Federal Circuit also recognized that the *Land-O-Nod* court's "observation" concerning *B & J Manufacturing* was simply incorrect, as the *B & J Manufacturing* court expressly found that the defendant's contacts with the forum were sufficiently related to the cause of action to satisfy due process. Furthermore, *Land-O-Nod* involved a factual scenario distinct from the factual situation before this court and thus simply does not support Luker's assertion that the Federal Circuit is in conflict with the Eighth Circuit.

Luker's contention that the decision below will create confusion and cause disparate decisions is similarly unfounded. In presenting this argument, Luker assumes that the regional circuits already decide personal jurisdiction issues in patent cases in a uniform manner. (See Pet. p. 13 stating that "the regional circuits have already established a uniform approach to personal jurisdiction in these circumstances.") However, in a different section of the petition, Luker admits that the analysis of personal jurisdiction "differ[s] from state to state in a regional circuit . . . [and] amongst the regional circuits." (Pet. p. 6). Irregardless of Luker's conflicting views on this issue, it is indisputable that the Federal Circuit's application of its own rules in this area, in a manner consistent with this Court's precedent, will promote uniformity in the law and provide clear guidance to District Courts' grappling with the issue of personal jurisdiction in patent actions.[6]

II. THE FEDERAL CIRCUIT EXPRESSLY CONSIDERED THE OHIO LONG-ARM STATUTE AND CORRECTLY CONCLUDED THAT THE DISTRICT COURT COULD EXERCISE PERSONAL JURISDICTION OVER LUKER PURSUANT TO THAT STATUTE.

Luker argues that the Federal Circuit erred by "deciding that henceforth there is no need to conduct an analysis to determine whether the requirements of the Ohio long-arm statute have been satisfied." (*See* Pet. p. i,

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[6] Luker's contention that the *Akro* decision will allow declaratory judgment plaintiffs to manipulate the personal jurisdiction analysis by including a frivolous patent-related claim is similarly unfounded. As explained *supra*, the *Akro* decision is consistent with the personal jurisdiction results of the regional circuits and hence the same outcome should be reached regardless of which law is applied. Moreover, the district courts already have ample means for discouraging frivolous claims under F.R.Civ.P. Rule 11 and the state codes of professional responsibility.

iii, 13). This contention is frivolous.[7] Contrary to Luker's assertion, the Federal Circuit expressly recognized that in order for jurisdiction to be maintained consistent with due process, Luker must be amenable to service under the Ohio long-arm statute. (Pet. App. pp. 5a-6a). The Court then went on to note that both the Ohio courts and the Sixth Circuit Court of Appeals have interpreted the "transacting any business" section of the Ohio long-arm statute as extending personal jurisdiction "to the greatest reach consistent with due process." (Pet. App. p. 6a). As such, the Federal Circuit noted that the requirements of the Ohio long-arm statute are satisfied whenever the Constitutional requirements are met. Accordingly, the Federal Circuit completed both inquiries in a single jurisdictional analysis. Such an approach is in complete compliance with *Omni Capital Int'l v. Rudolf Wolff & Co.*, 484 U.S. 97 (1987), and has been routinely adopted by the regional circuits. *See e.g., R.L. Lipton Distrib. Co. v. Dribeck Importers Inc.*, 811 F.2d 967, 969 (6th Cir. 1987).

Luker's contention that the Federal Circuit erred by looking to prior Supreme Court precedent instead of following three cases[8] that "directly address . . . the relationship between a patent license agreement and declaratory judgment actions for patent invalidity" is similarly

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[7] Although Luker's petition does not contend that jurisdiction would not lie under the Ohio long-arm statute, such a contention would be equally baseless as the Ohio courts have exercised jurisdiction on a range of factual circumstances that would clearly encompass those at issue here. *See, e.g., Kentucky Oaks Mall Co. v. Mitchell's Formal Wear, Inc.*, 559 N.E. 2d 477, 480 (Ohio 1990), *cert. denied*, 499 U.S. 975 (1991) (finding that jurisdiction existed under the Ohio long-arm statute based on the defendant's entering into an agreement with an Ohio resident that required continuing obligations).

[8] Luker cites to *Hydraulics Unlimited Mfg. v. B/J Mfg.*, 449 F.2d 775, 777 (10th Cir. 1971); *Unistrut v. Baldwin*, 815 F. Supp. 1025, 1027 (E.D. Mich. 1993); *Shepard's McGraw-Hill, Inc. v. Legalsoft Corp.*, 769 F. Supp. 1161, 1165 (D. Colo. 1991).

unavailing. (Pet. p. 15). As noted by the Federal Circuit in its decision below, each case Luker cites expressly declined to reach the question before the Federal Circuit—whether contacts which included actions relating to a patent license agreement were Constitutionally sufficient to confer personal jurisdiction on a defendant in a declaratory judgment action for patent invalidity. (Pet. App. p. 15a). Instead, these cases were decided under the various state long-arm statutes at issue, and as such, simply cannot provide insight as to whether Luker's contacts are sufficient under the Ohio long-arm statute or the due process clause.[9]

Furthermore, in arguing that these cases are controlling, Luker necessarily assumes that the Federal Circuit found that the license agreement alone was sufficient to confer jurisdiction over Luker. However, the Federal Circuit's decision was clearly predicated on the combination of all Luker's activities in Ohio related to the '602 patent and the injury forming the basis of Akro's complaint. In addition to Luker's licensing activities, these contacts included numerous threatening letters and the continuing obligations created by the license. Accordingly, the Federal Circuit correctly recognized that the cases Luker cited were inapplicable [10] and instead looked to Supreme Court precedent to determine whether Luker's contacts with Ohio were sufficiently related to Akro's present cause of action such that the exercise of personal jurisdiction over Luker was Constitutionally permissible.

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[9] Pursuant to this Court's Rule 14.1(a), the issue of whether the Federal Circuit should have followed the cases Luker cites is not even properly before this Court, as this issue was not set forth as part of Luker's second question, nor is it subsidiary to that question.

[10] Luker also fails to explain why the Federal Circuit should be bound by decisions of two federal district courts or the Tenth Circuit Court of Appeals.

III. THE FEDERAL CIRCUIT'S DECISION SERVES TO DISCOURAGE PATENTEES AND THEIR LICENSEES FROM USING GROUNDLESS INFRINGEMENT ALLEGATIONS TO HARM COMPETITORS, AND HENCE POLICY CONSIDERATIONS WEIGH AGAINST, NOT FOR, CRAFTING AN EXCEPTION TO THIS COURT'S PERSONAL JURISDICTION RULES FOR THE FACTUAL SCENARIO PRESENTED IN THIS CASE.

As recognized by the Federal Circuit, patentees such as Luker can use groundless infringement allegations coupled with threats of litigation to restrain the production of goods. (Pet. App. p. 17a). A corporation receiving such accusations and threats is harmed in that it is forced to operate its business under the cloud of being an accused infringer. As recognized by this Court, the state of Ohio has a manifest interest in protecting the production of products within its boundaries and discouraging injuries such as those Luker has inflicted on Akro through his groundless accusations.[11] *See Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 473 (1985). This interest is served by allowing the accused infringer the opportunity to sue the threatening patentee in a convenient forum.

Luker argues that the decision below will have a chilling effect on patentees providing notice of potential patent infringement, which in turn will hamper the goal of settling as many disputes as possible short of litigation. This argument fails for numerous reasons. First, Luker's argument assumes that the Federal Circuit based its jurisdictional finding solely on Luker's notification to

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[11] In fact, Ohio is the only jurisdiction that has any real interest in the present dispute. Luker's activities have placed a cloud over Akro's activities in Ohio, and in a larger sense, have had a chilling effect on commerce in Ohio. In contrast, there is no evidence that litigating this dispute in Ohio will subject Luker to any undue burden, and in fact, all of Luker's dealings with the '602 patent as it concerns Akro have been in Ohio.

Akro that Akro was potentially infringing the '602 patent. (*See* Pet. p. 16, which states "any rule which establishes personal jurisdiction based solely upon the patentee's notification sent to a potential infringer in the forum state is unjust"). Contrary to this assumption, the opinion below makes clear that the finding was based on the combination of all the activities Luker purposefully undertook in Ohio, including the notification letter, Luker's threatening letters, Luker's license of the '602 patent to a competitor of Akro in Ohio, and the continuing obligations Luker undertook pursuant to that license.[12] Accordingly, the decision below will simply not have the "chilling effect" Luker claims will occur.

Furthermore, Luker's argument also assumes that patentees do not have the option of filing a complaint against an alleged infringer and then attempting to settle the dispute before proceeding in earnest with the litigation.[13] Finally, as discussed above, the danger that finding jurisdiction in this case will chill settlement negotiations is not so much an attack on the question of personal jurisdiction as an expression of Luker's dislike for declatory judgment actions which enable a party falsely accused of infringement to intiate an action in its home

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[12] While in arguing policy Luker finds it convenient to read the Federal Circuit opinion as being based solely on a single infringement letter, in arguing that the decision below conflicts with the decisions of the regional circuits, Luker assumes the decision below was based solely on the license agreement. The Federal Circuit expressly notes that it considered the totality of Luker's contacts with the state of Ohio in resolving the jurisdictional question. Luker's attempts to characterize the decision below as being based on whatever selected facts best support the argument he is making at any one time simply reflects the lack of basis for all Luker's alleged errors by the court below.

[13] Courts routinely grant stays for such settlement efforts, and in fact, they are often more successful subsequent to filing suit since limited discovery by the parties may provide information which convinces both sides that settling the dispute is in their best interests.

forum to establish that the patent in question is invalid and/or not infringed. This Court's controlling precedent on personal jurisdiction under the due process clause provides ample protection to patentees and accused infringers. Accordingly, Luker's "policy" argument is unavailing as the decision by the Federal Circuit in this case clearly promotes appropriate behavior by patentees and accused infringers as opposed to presenting patentees with the contrived "Hobson's choice" Luker asserts now exists.

CONCLUSION

For all the foregoing reasons, Luker's Petition should be denied.

Respectfully submitted,

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